SIMON PROPERTY GROUP INC /DE/
Form 10-Q
November 06, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

SIMON PROPERTY GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation or organization)

001-14469
(Commission File No.)

046-268599
(I.R.S. Employer Identification No.)

225 West Washington Street
Indianapolis, Indiana 46204
(Address of principal executive offices)

(317) 636-1600
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes ý** **No o**

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). **Yes ý** **No o**

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). **Yes o** **No ý**

As of September 30, 2013, Simon Property Group, Inc. had 310,325,283 shares of common stock, par value $0.0001 per share and 8,000 shares of Class B common stock, par value $0.0001 per share outstanding.

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Simon Property Group, Inc. and Subsidiaries

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Simon Property Group, Inc. and Subsidiaries

Unaudited Consolidated Balance Sheets

(Dollars in thousands, except share amounts)

	September 30, 2013	December 31, 2012
ASSETS:		
Investment properties at cost	**$ 34,764,669**	$ 34,252,521
Less accumulated depreciation	**9,804,069**	9,068,388
	24,960,600	25,184,133
Cash and cash equivalents	**1,099,321**	1,184,518
Tenant receivables and accrued revenue, net	**529,893**	521,301
Investment in unconsolidated entities, at equity	**1,991,900**	2,108,966
Investment in Klépierre, at equity	**1,971,230**	2,016,954
Deferred costs and other assets	**1,558,465**	1,570,734
Total assets	**$ 32,111,409**	$ 32,586,606
LIABILITIES:		
Mortgages and unsecured indebtedness	**$ 22,729,654**	$ 23,113,007
Accounts payable, accrued expenses, intangibles, and deferred revenues	**1,328,089**	1,374,172
Cash distributions and losses in partnerships and joint ventures, at equity	**842,062**	724,744
Other liabilities	**227,319**	303,588
Total liabilities	**25,127,124**	25,515,511
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	**179,792**	178,006
EQUITY:		
Stockholders' Equity		
Capital stock (850,000,000 total shares authorized, $0.0001 par value, 238,000,000 shares of excess common stock, 100,000,000 authorized shares of preferred stock):		
Series J 8 3/8% cumulative redeemable preferred stock, 1,000,000 shares authorized, 796,948 issued and outstanding with a liquidation value of $39,847	**44,472**	44,719
Common stock, $0.0001 par value, 511,990,000 shares authorized, 313,976,863 and 313,658,419 issued and outstanding, respectively	**31**	31
Class B common stock, $0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding		
Capital in excess of par value	**9,197,939**	9,175,724
Accumulated deficit	**(3,218,890)**	(3,083,190)
Accumulated other comprehensive loss	**(76,702)**	(90,900)
Common stock held in treasury at cost, 3,651,580 and 3,762,595 shares, respectively	**(118,031)**	(135,781)
Total stockholders' equity	**5,828,819**	5,910,603
Noncontrolling interests	**975,674**	982,486
Total equity	**6,804,493**	6,893,089
Total liabilities and equity	**$ 32,111,409**	$ 32,586,606

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc. and Subsidiaries

Unaudited Consolidated Statements of Operations and Comprehensive Income
(Dollars in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
REVENUE:				
Minimum rent	**$ 795,809**	$ 759,039	**$ 2,351,876**	$ 2,207,334
Overage rent	**56,511**	51,170	**134,458**	110,277
Tenant reimbursements	**367,702**	342,443	**1,059,834**	979,300
Management fees and other revenues	**33,613**	32,294	**95,156**	92,928
Other income	**48,621**	43,671	**112,553**	145,813
Total revenue	**1,302,256**	1,228,617	**3,753,877**	3,535,652
EXPENSES:				
Property operating	**126,706**	132,378	**354,094**	353,136
Depreciation and amortization	**326,073**	310,244	**961,344**	907,217
Real estate taxes	**113,145**	105,694	**332,259**	311,173
Repairs and maintenance	**27,747**	26,556	**84,579**	78,862
Advertising and promotion	**30,725**	28,114	**81,343**	77,762
Provision for (recovery of) credit losses	**2,774**	(1,180)	**4,207**	5,271
Home and regional office costs	**34,171**	27,057	**106,021**	95,019
General and administrative	**14,546**	14,165	**44,476**	42,787
Other	**25,804**	20,636	**62,411**	58,424
Total operating expenses	**701,691**	663,664	**2,030,734**	1,929,651
OPERATING INCOME	**600,565**	564,953	**1,723,143**	1,606,001
Interest expense	**(284,491)**	(288,896)	**(849,482)**	(835,532)
Income and other taxes	**(7,768)**	(3,904)	**(29,943)**	(9,872)
Income from unconsolidated entities	**47,916**	37,129	**158,663**	96,613
Gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**11,071**	(2,911)	**99,906**	491,926
CONSOLIDATED NET INCOME	**367,293**	306,371	**1,102,287**	1,349,136
Net income attributable to noncontrolling interests	**54,784**	50,616	**165,035**	230,857
Preferred dividends	**834**	834	**2,503**	2,503
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	**$ 311,675**	$ 254,921	**$ 934,749**	$ 1,115,776
BASIC EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	**$ 1.00**	$ 0.84	**$ 3.01**	$ 3.71
DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	**$ 1.00**	$ 0.84	**$ 3.01**	$ 3.71
Consolidated Net Income	**$ 367,293**	$ 306,371	**$ 1,102,287**	$ 1,349,136
Unrealized (loss) gain on derivative hedge agreements	**(4,378)**	(8,555)	**897**	(5,450)
Net loss reclassified from accumulated other comprehensive income into earnings	**2,566**	5,187	**6,642**	15,440
Currency translation adjustments	**32,515**	9,138	**10,603**	(12,374)
Changes in available-for-sale securities and other	**(773)**	16,573	**(1,588)**	40,442

Comprehensive income	**397,223**	328,714	**1,118,841**	1,387,194
Comprehensive income attributable to noncontrolling interests	**59,089**	56,077	**167,391**	239,427
Comprehensive income attributable to common stockholders	**$ 338,134**	$ 272,637	**$ 951,450**	$ 1,147,767

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc. and Subsidiaries

Unaudited Consolidated Statements of Cash Flows

(Dollars in thousands)

	For the Nine Months Ended September 30,	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated Net Income	**$ 1,102,287**	$ 1,349,136
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	**991,715**	940,310
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**(99,906)**	(491,926)
Straight-line rent	**(32,906)**	(27,447)
Equity in income of unconsolidated entities	**(158,663)**	(96,613)
Distributions of income from unconsolidated entities	**143,202**	114,508
Changes in assets and liabilities		
Tenant receivables and accrued revenue, net	**22,528**	57,479
Deferred costs and other assets	**(46,537)**	(69,553)
Accounts payable, accrued expenses, intangibles, deferred revenues and other liabilities	**7,173**	51,251
Net cash provided by operating activities	**1,928,893**	1,827,145
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions	**(308,635)**	(3,690,778)
Funding of loans to related parties	**(62,689)**	(18,613)
Repayments from loans to related parties		92,600
Capital expenditures, net	**(628,577)**	(589,671)
Cash from acquisitions and cash impact from the consolidation and deconsolidation of properties		91,170
Net proceeds from sale of assets	**248,495**	380,946
Investments in unconsolidated entities	**(113,428)**	(145,559)
Purchase of marketable and non-marketable securities	**(39,945)**	(179,887)
Proceeds from sale of marketable and non-marketable securities	**47,495**	
Repayments of loans held for investment		163,908
Distributions of capital from unconsolidated entities and other	**460,071**	151,855
Net cash used in investing activities	**(397,213)**	(3,744,029)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sales of common stock and other, net of transaction costs	**181**	1,213,715
Redemption of limited partner units		(248,000)
Distributions to noncontrolling interest holders in properties	**(7,393)**	(9,534)
Contributions from noncontrolling interest holders in properties	**5,684**	2,107
Preferred distributions of the Operating Partnership	**(1,436)**	(1,436)
Preferred dividends and distributions to stockholders	**(1,072,782)**	(903,426)
Distributions to limited partners	**(179,855)**	(181,084)
Proceeds from issuance of debt, net of transaction costs	**1,242,868**	5,127,045
Repayments of debt	**(1,604,144)**	(3,428,441)
Net cash (used in) provided by financing activities	**(1,616,877)**	1,570,946
DECREASE IN CASH AND CASH EQUIVALENTS	**(85,197)**	(345,938)
CASH AND CASH EQUIVALENTS, beginning of period	**1,184,518**	798,650
CASH AND CASH EQUIVALENTS, end of period	**$ 1,099,321**	$ 452,712

The accompanying notes are an integral part of these statements.

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Simon Property Group, Inc. and Subsidiaries

Condensed Notes to Consolidated Financial Statements

(Unaudited)

(Dollars in thousands, except share and per share amounts and where indicated in millions or billions)

1. Organization

Simon Property Group, Inc., or Simon Property, is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended. REITs will generally not be liable for federal corporate income taxes as long as they continue to distribute not less than 100% of their taxable income. Simon Property Group, L.P., or the Operating Partnership, is our majority-owned partnership subsidiary that owns all of our real estate properties and other assets. In these condensed notes to the unaudited consolidated financial statements, the terms "we", "us" and "our" refer to Simon Property, the Operating Partnership, and its subsidiaries.

We own, develop and manage retail real estate properties, which consist primarily of malls, Premium Outlets®, The Mills®, and community/lifestyle centers. As of September 30, 2013, we owned or held an interest in 312 income-producing properties in the United States, which consisted of 158 malls, 66 Premium Outlets, 64 community/lifestyle centers, 13 Mills, and 11 other shopping centers or outlet centers in 38 states and Puerto Rico. Internationally, as of September 30, 2013, we had ownership interests in nine Premium Outlets in Japan, three Premium Outlets in South Korea, one Premium Outlet in Canada, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia. Additionally, as of September 30, 2013, we owned a 28.9% equity stake in Klépierre SA, or Klépierre, a publicly traded, Paris-based real estate company, which owns, or has an interest in, more than 260 shopping centers located in 13 countries in Europe.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of all controlled subsidiaries, and all significant intercompany amounts have been eliminated. Due to the seasonal nature of certain operational activities, the results for the interim period ended September 30, 2013, are not necessarily indicative of the results to be expected for the full year.

These consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by accounting principles generally accepted in the United States (GAAP) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring accruals) have been included. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in our 2012 Annual Report on Form 10-K.

As of September 30, 2013, we consolidated 220 wholly-owned properties and 18 additional properties that are less than wholly-owned, but which we control or for which we are the primary beneficiary. We account for the remaining 89 properties, or the joint venture properties, as well as our investment in Klépierre, using the equity method of accounting, as we have determined we have significant influence over their operations. We manage the day-to-day operations of 71 of the 89 joint venture properties, but have determined that our partner or partners have substantive participating rights with respect to the assets and operations of these joint venture properties. Our investments in joint ventures in Japan, South Korea, Canada, Mexico, and Malaysia comprise 15 of the remaining 18 properties. The international properties are managed locally by joint ventures in which we share oversight responsibility with our partner.

Preferred distributions of the Operating Partnership are accrued at declaration and represent distributions on outstanding preferred units of partnership interests held by limited partners, or preferred units, and are included in net income attributable to noncontrolling interests. We allocate net operating results of the Operating Partnership after preferred distributions to third parties and to us based on the partners' respective weighted average ownership interests in the Operating Partnership. Net operating results of the Operating Partnership attributable to third parties are reflected in net income attributable to noncontrolling interests. Our weighted average ownership interest in the Operating Partnership was 85.6% and 83.3% for the nine months ended September 30, 2013 and 2012, respectively. As

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of September 30, 2013 and December 31, 2012, our ownership interest in the Operating Partnership was 85.6%. We adjust the noncontrolling limited partners' interests at the end of each period to reflect their interest in the Operating Partnership.

Reclassifications

We made certain reclassifications of prior period amounts in the consolidated financial statements to conform to the 2013 presentation. These reclassifications had no impact on previously reported net income attributable to common stockholders or earnings per share.

3. Significant Accounting Policies

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of 90 days or less to be cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents generally consist of commercial paper, bankers' acceptances, Eurodollars, repurchase agreements, and money market deposits or securities. Financial instruments that potentially subject us to concentrations of credit risk include our cash and cash equivalents and our trade accounts receivable. We place our cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents are in excess of FDIC and SIPC insurance limits.

Marketable and Non-Marketable Securities

Marketable securities consist primarily of investments of our captive insurance subsidiaries, our deferred compensation plan investments, and certain other investments.

The types of securities included in the investment portfolio of our captive insurance subsidiaries typically include U.S. Treasury or other U.S. government securities as well as corporate debt securities with maturities ranging from less than 1 to 10 years. These securities are classified as available-for-sale and are valued based upon quoted market prices or other observable inputs when quoted market prices are not available. The amortized cost of debt securities, which approximates fair value, held by our captive insurance subsidiaries is adjusted for amortization of premiums and accretion of discounts to maturity. Changes in the values of these securities are recognized in accumulated other comprehensive income (loss) until the gain or loss is realized or until any unrealized loss is deemed to be other-than-temporary. We review any declines in value of these securities for other-than-temporary impairment and consider the severity and duration of any decline in value. To the extent an other-than-temporary impairment is deemed to have occurred, an impairment charge is recorded and a new cost basis is established. Subsequent changes are then recognized through other comprehensive income (loss) unless another other-than-temporary impairment is deemed to have occurred. Net unrealized gains recorded in accumulated other comprehensive income (loss) as of September 30, 2013 and December 31, 2012 were approximately $1.0 million and $2.6 million, respectively, which represent the valuation and related currency adjustments for our marketable securities. Our insurance subsidiaries are required to maintain statutory minimum capital and surplus as well as maintain a minimum liquidity ratio. Therefore, our access to these securities may be limited.

Our deferred compensation plan investments are classified as trading securities and are valued based upon quoted market prices. The investments have a matching liability as the amounts are fully payable to the employees that earned the compensation. Changes in value of these securities and changes to the matching liability to employees are both recognized in earnings and, as a result, there is no impact to consolidated net income.

At September 30, 2013 and December 31, 2012, we also had investments of $16.5 million and $24.9 million, respectively, which must be used to fund the debt service requirements of mortgage debt related to an investment property that we sold. These investments are classified as held-to-maturity and are recorded at amortized cost as we have the ability and intent to hold these investments to maturity.

At September 30, 2013 and December 31, 2012, we had investments of $118.8 million and $98.9 million, respectively, in non-marketable securities that we account for under the cost method. We regularly evaluate these investments for any other-than-temporary impairment in their estimated fair value and determined that no adjustment in the carrying value was required.

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Loans Held for Investment

From time to time, we may make investments in mortgage loans or mezzanine loans of third parties that own and operate commercial real estate assets located in the United States. Mortgage loans are secured, in part, by mortgages recorded against the underlying properties which are not owned by us. Mezzanine loans are secured, in part, by pledges of ownership interests of the entities that own the underlying real estate. Loans held for investment are carried at cost, net of any premiums or discounts which are accreted or amortized over the life of the related loan receivable utilizing the effective interest method. We evaluate the collectability of both interest and principal of each of these loans quarterly to determine whether the value has been impaired. A loan is deemed to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the loan held for investment to its estimated realizable value.

We had investments in three mortgage and mezzanine loans that were repaid in their entirety during 2012. For the nine months ended September 30, 2012, we earned $6.8 million in interest income on these loans.

Fair Value Measurements

Level 1 fair value inputs are quoted prices for identical items in active, liquid and visible markets such as stock exchanges. Level 2 fair value inputs are observable information for similar items in active or inactive markets, and appropriately consider counterparty creditworthiness in the valuations. Level 3 fair value inputs reflect our best estimate of inputs and assumptions market participants would use in pricing an asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation estimate. We have no investments for which fair value is measured on a recurring basis using Level 3 inputs.

We held marketable securities that totaled $141.7 million and $170.2 million at September 30, 2013 and December 31, 2012, respectively, that were primarily classified as having Level 1 fair value inputs. In addition, we have derivative instruments which are classified as having Level 2 inputs which consist primarily of interest rate swap agreements and foreign currency forward contracts with a gross liability balance of $4.6 million and $1.5 million at September 30, 2013 and December 31, 2012, respectively, and a gross asset value of $4.1 million and $3.0 million at September 30, 2013 and December 31, 2012, respectively. We also have interest rate cap agreements with nominal values.

Note 6 includes a discussion of the fair value of debt measured using Level 2 inputs. Notes 5 and 9 include discussion of the fair values recorded in purchase accounting and impairment, using Level 2 and Level 3 inputs. Level 3 inputs to our purchase accounting and impairment include our estimations of net operating results of the property, capitalization rates and discount rates.

Noncontrolling Interests and Temporary Equity

Details of the carrying amount of our noncontrolling interests are as follows:

	As of September 30, 2013	***As of December 31, 2012***
Limited partners' interests in the Operating Partnership	**$ 971,488**	$ 983,363
Nonredeemable noncontrolling deficit interests in properties, net	**4,186**	(877)
Total noncontrolling interests reflected in equity	**$ 975,674**	$ 982,486

The remaining interests in a property or portfolio of properties which are redeemable at the option of the holder or in circumstances that may be outside our control, are accounted for as temporary equity within limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties in the accompanying consolidated balance sheets. The carrying amount of the noncontrolling interest is adjusted to the redemption amount assuming the instrument is redeemable at the balance sheet date. Changes in the redemption value of the underlying noncontrolling interest are recorded within accumulated deficit. There are no noncontrolling interests redeemable at amounts in excess of fair value.

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Net income attributable to noncontrolling interests (which includes nonredeemable noncontrolling interests in consolidated properties, limited partners' interests in the Operating Partnership, redeemable noncontrolling interests in consolidated properties and preferred distributions payable by the Operating Partnership on its outstanding preferred units) is a component of consolidated net income. In addition, the individual components of other comprehensive income (loss) are presented in the aggregate for both controlling and noncontrolling interests, with the portion attributable to noncontrolling interests deducted from comprehensive income attributable to common stockholders.

A rollforward of noncontrolling interests reflected in equity is as follows:

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2013	***2012***	***2013***	***2012***
Noncontrolling interests, beginning of period	**$ 971,498**	$ 1,185,418	**$ 982,486**	$ 894,622
Net income attributable to noncontrolling interests after preferred distributions and income attributable to redeemable noncontrolling interests in consolidated properties	**52,339**	47,668	**157,100**	222,986
Distributions to noncontrolling interest holders	**(60,197)**	(62,149)	**(180,104)**	(181,354)
Other comprehensive income (loss) allocable to noncontrolling interests:				
Unrealized (loss) gain on derivative hedge agreements	**(629)**	1,327	**111**	2,333
Net loss reclassified from accumulated other comprehensive loss into earnings	**369**	517	**955**	2,233
Currency translation adjustments	**4,676**	2,716	**1,518**	(717)
Changes in available-for-sale securities and other	**(111)**	902	**(228)**	4,721
	4,305	5,462	**2,356**	8,570
Adjustment to limited partners' interest from change in ownership in the Operating Partnership	**(8,841)**	(38,715)	**(19,422)**	117,584
Units exchanged for common shares	**(59)**	(129,783)	**(6,041)**	(133,801)
Units redeemed		(38,904)		(38,904)
Purchase of noncontrolling interests and other	**16,629**	10,367	**39,299**	89,661
Noncontrolling interests, end of period	**$ 975,674**	$ 979,364	**$ 975,674**	$ 979,364

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) net of noncontrolling interest by component consisted of the following as of September 30, 2013:

	Currency translation adjustments	*Accumulated derivative losses, net*	*Net unrealized gains on marketable securities*	*Total*
Beginning balance	$ (26,220)	$ (66,917)	$ 2,237	$ (90,900)
Other comprehensive income (loss) before reclassifications	9,085	786	(1,360)	8,511
Amounts reclassified from accumulated other comprehensive income (loss)		5,687		5,687
Net current-period other comprehensive income (loss)	9,085	6,473	(1,360)	14,198
Ending balance	**$ (17,135)**	**$ (60,444)**	**$ 877**	**$ (76,702)**

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The reclassifications out of accumulated other comprehensive income (loss) consisted of the following as of September 30, 2013:

Details about accumulated other comprehensive income (loss) components:	*Amount reclassified from accumulated other comprehensive income (loss)*	*Affected line item in the statement where net income is presented*
Accumulated derivative losses, net		
	$ (6,642)	Interest expense
	955	Net income attributable to noncontrolling interests
	$ (5,687)	

Derivative Financial Instruments

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have designated a derivative as a hedge and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We may use a variety of derivative financial instruments in the normal course of business to selectively manage or hedge a portion of the risks associated with our indebtedness and interest payments. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps and caps. We require that hedging derivative instruments be highly effective in reducing the risk exposure that they are designated to hedge. As a result, there is no significant ineffectiveness from any of our derivative activities. We formally designate any instrument that meets these hedging criteria as a hedge at the inception of the derivative contract. We have no credit-risk-related hedging or derivative activities.

As of September 30, 2013, we had the following outstanding interest rate derivatives related to managing our interest rate risk:

Interest Rate Derivative	*Number of Instruments*	*Notional Amount*
Interest Rate Swaps	2	$ 492.2 million
Interest Rate Caps	5	$ 249.4 million

The carrying value of our interest rate swaps, at fair value, was a liability balance of $4.6 million and $1.5 million at September 30, 2013 and December 31, 2012, respectively, and is included in other liabilities. The interest rate caps were of nominal value at September 30, 2013 and December 31, 2012 and we generally do not apply hedge accounting to these arrangements.

We are also exposed to fluctuations in foreign exchange rates on financial instruments which are denominated in foreign currencies, primarily in Japan and Europe. We use currency forward contracts and foreign currency denominated debt to manage our exposure to changes in foreign exchange rates on certain Yen and Euro-denominated receivables and net investments. Currency forward contracts involve fixing the Yen:USD or Euro:USD exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward contracts are typically cash settled in US dollars for their fair value at or close to their settlement date. Approximately ¥1.7 billion remains as of September 30, 2013 for all forward contracts that we expect to receive through January 5, 2015. The September 30, 2013 asset balance related to these forward contracts was $4.1 million and is included in deferred costs and other assets. We have reported the changes in fair value for these forward contracts in earnings. The underlying currency adjustments on the foreign currency denominated receivables are also reported in income and generally offset the amounts in earnings for these forward contracts.

The total gross accumulated other comprehensive loss related to our derivative activities, including our share of the other comprehensive loss from joint venture properties, approximated $70.6 million and $78.1 million as of September 30, 2013 and December 31, 2012, respectively.

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4. Per Share Data

We determine basic earnings per share based on the weighted average number of shares of common stock outstanding during the period and we consider any participating securities for purposes of applying the two-class method. We determine diluted earnings per share based on the weighted average number of shares of common stock outstanding combined with the incremental weighted average shares that would have been outstanding assuming all dilutive potential securities were converted into common shares at the earliest date possible. The following table sets forth the computation of our basic and diluted earnings per share.

		For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
		2013	*2012*	*2013*	*2012*
Net Income attributable to Common Stockholders and Diluted	**Basic**	**$ 311,675**	$ 254,921	**$ 934,749**	$ 1,115,776
Weighted Average Shares Outstanding	**Basic**	**310,332,777**	304,107,489	**310,194,789**	301,029,029
Effect of stock options			1,070	**67**	1,077
Weighted Average Shares Outstanding	**Diluted**	**310,332,777**	304,108,559	**310,194,856**	301,030,106

For the nine months ended September 30, 2013, potentially dilutive securities include stock options, units that are exchangeable for common stock and long-term incentive performance, or LTIP, units granted under our long-term incentive performance programs that are convertible into units and exchangeable for common stock. The only securities that had a dilutive effect for the nine months ended September 30, 2013 and 2012 were stock options. We accrue dividends when they are declared.

5. Investment in Unconsolidated Entities

Real Estate Joint Ventures and Investments

Joint ventures are common in the real estate industry. We use joint ventures to finance properties, develop new properties and diversify our risk in a particular property or portfolio of properties. We held joint venture ownership interests in 74 properties in the United States as of September 30, 2013 and 78 properties as of December 31, 2012. We held interests in nine joint venture properties in Japan as of September 30, 2013 and eight joint venture properties as of December 31, 2012. We held interests in three joint venture properties in South Korea as of September 30, 2013 and two as of December 31, 2012. At September 30, 2013 and December 31, 2012, we also held interests in one joint venture property in Mexico and one joint venture property in Malaysia. On August 1, 2013, our first joint venture property in Canada opened. We account for these joint venture properties using the equity method of accounting. As discussed below, on January 9, 2012, we sold our interest in Gallerie Commerciali Italia, S.p.A,, or GCI, which at the time owned 45 properties located in Italy. On March 14, 2012, we purchased a 28.7% equity stake in Klépierre. On May 21, 2012, Klépierre paid a dividend, which we elected to receive in additional shares, resulting in an increase in our ownership to approximately 28.9%.

Certain of our joint venture properties are subject to various rights of first refusal, buy-sell provisions, put and call rights, or other sale or marketing rights for partners which are customary in real estate joint venture agreements and the industry. We and our partners in these joint ventures may initiate these provisions (subject to any applicable lock up or similar restrictions), which may result in either the sale of our interest or the use of available cash or borrowings, or the use of limited partnership interests in the Operating Partnership, to acquire the joint venture interest from our partner.

We may provide financing to joint ventures primarily in the form of interest bearing construction loans. As of September 30, 2013 and December 31, 2012, we had construction loans and other advances to related parties totaling $103.6 million and $25.4 million, respectively, which are included in deferred costs and other assets.

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Unconsolidated Property Transactions

On December 31, 2012, we formed a joint venture with Institutional Mall Investors, or IMI, to own and operate The Shops at Mission Viejo in the Los Angeles suburb of Mission Viejo, California, and Woodfield Mall in the Chicago suburb of Schaumburg, Illinois. We and IMI each own a noncontrolling 50% interest in Woodfield Mall and we own a noncontrolling 51% interest in The Shops at Mission Viejo and IMI owns the remaining 49%. Prior to the formation of the joint venture, we owned 100% of The Shops at Mission Viejo and IMI owned 100% of Woodfield Mall. No gain was recorded as the transaction was recorded based on the carryover basis of our previous investment. Woodfield Mall is encumbered by a $425 million mortgage loan which matures in March of 2024 and bears interest at 4.5%. In January 2013, the joint venture closed a $295 million mortgage on the Shops at Mission Viejo which bears interest at 3.61% and matures in February of 2023. The proceeds from the financing were distributed to the venture partners and, as a result, we received a distribution of $149.7 million.

On March 22, 2012, we acquired, through an acquisition of substantially all of the assets of The Mills Limited Partnership, or TMLP, additional interests in 26 properties, or the Mills transaction. The transaction resulted in additional interests in 16 of the properties which remain unconsolidated, the consolidation of nine previously unconsolidated properties and the purchase of the remaining noncontrolling interest in a previously consolidated property. The transaction was valued at $1.5 billion, which included repayment of the remaining $562.1 million balance on TMLP's senior loan facility, and retirement of $100.0 million of TMLP's trust preferred securities. In connection with the transaction, our $558.4 million loan to SPG-FCM Ventures, LLC, or SPG-FCM, was extinguished on a non-cash basis. We consolidated $2.6 billion in additional property-level mortgage debt in connection with this transaction. This property-level mortgage debt was previously presented as debt of our unconsolidated entities. We and our joint venture partner had equal ownership in these properties prior to the transaction.

The consolidation of the previously unconsolidated properties resulted in a remeasurement of our previously held interests in these nine newly consolidated properties to fair value and recognition of a corresponding non-cash gain of $488.7 million. In addition, we recorded an other-than-temporary impairment charge of $22.4 million for the excess of carrying value of our remaining investment in SPG-FCM over its estimated fair value. The gain on the transaction and impairment charge are included in gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net, in the accompanying consolidated statements of operations and comprehensive income. The assets and liabilities of the newly consolidated properties acquired in the Mills transaction have been reflected at their estimated fair value at the acquisition date.

We recorded our acquisition of the interests in the nine newly consolidated properties using the acquisition method of accounting. Tangible and intangible assets and liabilities were established based on their fair values at the date of acquisition. The results of operations of the newly consolidated properties have been included in our consolidated results from the date of acquisition. The purchase price allocations were finalized during the first quarter of 2013. No significant adjustments were made to the previously reported purchase price allocations.

On January 6, 2012, we paid $50.0 million to acquire an additional interest in Del Amo Fashion Center, increasing our interest in the property to 50%.

European Investments

At September 30, 2013, we owned 57,634,148 shares, or approximately 28.9%, of Klépierre, which had a quoted market price of $43.25 per share. At the date of purchase on March 14, 2012, our excess investment in Klépierre was approximately $1.2 billion which we have allocated to the underlying investment property, other assets and liabilities based on estimated fair value. Our share of net income, net of amortization of our excess investment, was $23.8 million for the nine months ended September 30, 2013. Based on applicable Euro:USD exchange rates and after our conversion of Klépierre's results to GAAP, Klépierre's total revenues, operating income and consolidated net income were approximately $1.1 billion, $538.6 million and $231.5 million, respectively, for the nine months ended September 30, 2013. Our share of net income, net of the amortization of our excess investment, was $4.7 million from the acquisition date through September 30, 2012.

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During the second quarter of 2013, we signed a definitive agreement to form one or more joint ventures to invest in certain existing designer outlets, development projects, and the property management and development companies of McArthurGlen, an owner, developer and manager of designer outlets in Europe. As of September 30, 2013, we had made equity investments and advances and funded our share of development costs of approximately $73.9 million, which included the acquisition of a noncontrolling 50% ownership interest in the property management and development companies, a 45% ownership interest in a development project, and a 22.5% interest in Ashford Designer Outlets in Kent, UK. On October 16, 2013, we completed the transactions contemplated by our previously announced definitive agreement by acquiring interests in four existing McArthurGlen outlets Parndorf (Vienna, Austria), La Reggia (Naples, Italy), Noventa di Piave (Venice, Italy) and Roermond (Roermond, the Netherlands) for cash consideration of €327.5 million ($444.1 million USD equivalent). Our noncontrolling ownership interests in these four centers range from 60% to 90%.

We also have a minority interest in Value Retail PLC, which owns and operates nine luxury outlets throughout Europe and a direct minority ownership in three of those outlets. These investments are accounted for under the cost method. At September 30, 2013 and December 31, 2012, the carrying value of these investments was $115.4 and $95.5 million, respectively, and is included in deferred costs and other assets.

On January 9, 2012, we sold our entire ownership interest in GCI to our venture partner, Auchan S.A. The aggregate cash we received was $375.8 million, and we recognized a gain on the sale of $28.8 million. Our investment carrying value included $39.5 million of accumulated losses related to currency translation and net investment hedge accumulated balances, which had been recorded in accumulated other comprehensive income (loss).

Asian Joint Ventures

We conduct our international Premium Outlet operations in Japan through a joint venture with Mitsubishi Estate Co., Ltd. We have a 40% ownership interest in this joint venture. The carrying amount of our investment in this joint venture was $276.2 million and $314.2 million as of September 30, 2013 and December 31, 2012, respectively, including all related components of accumulated other comprehensive income (loss). We conduct our international Premium Outlet operations in South Korea through a joint venture with Shinsegae International Co. We have a 50% ownership interest in this joint venture. The carrying amount of our investment in this joint venture was $70.7 million and $62.9 million as of September 30, 2013 and December 31, 2012, respectively; including all related components of accumulated other comprehensive income (loss).

Summary Financial Information

A summary of our equity method investments and share of income from such investments, excluding Klépierre, follows. We acquired additional controlling interests in nine properties in the Mills transaction on March 22, 2012. These previously unconsolidated properties became consolidated properties as of their acquisition date. During 2012, we disposed of our joint venture interests in one mall and three retail properties. The results of operations of the properties for all of these 2012 transactions are classified as gain (loss) from operations of discontinued joint venture interests in the accompanying joint venture statements of operations. In 2013, we disposed of two retail properties. The gain on disposal is reported in gain (loss) on disposal of discontinued operations, net in the accompanying joint venture statements of operations. Balance sheet information for these investments is as follows:

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	September 30, 2013	*December 31, 2012*
BALANCE SHEETS		
Assets:		
Investment properties, at cost	**$ 14,828,264**	$ 14,607,291
Less accumulated depreciation	**5,144,189**	4,926,511
	9,684,075	9,680,780
Cash and cash equivalents	**653,185**	619,546
Tenant receivables and accrued revenue, net	**270,770**	252,774
Investment in unconsolidated entities, at equity	**38,669**	39,589
Deferred costs and other assets	**442,831**	438,399
Total assets	**$ 11,089,530**	$ 11,031,088
Liabilities and Partners' Deficit:		
Mortgages	**$ 11,979,021**	$ 11,584,863
Accounts payable, accrued expenses, intangibles, and deferred revenue	**723,143**	672,483
Other liabilities	**394,461**	447,132
Total liabilities	**13,096,625**	12,704,478
Preferred units	**67,450**	67,450
Partners' deficit	**(2,074,545)**	(1,740,840)
Total liabilities and partners' deficit	**$ 11,089,530**	$ 11,031,088
Our Share of:		
Partners' deficit	**$ (943,037)**	$ (799,911)
Add: Excess Investment	**2,092,875**	2,184,133
Our net Investment in unconsolidated entities, at equity	**$ 1,149,838**	$ 1,384,222

"Excess Investment" represents the unamortized difference of our investment over our share of the equity in the underlying net assets of the joint ventures or other investments acquired and is allocated on a fair value basis primarily to investment property, lease related intangibles, and debt premiums and discounts. We amortize excess investment over the life of the related depreciable components of investment property, typically no greater than 40 years, the terms of the applicable leases and the applicable debt maturity, respectively. The amortization is included in the reported amount of income from unconsolidated entities.

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
STATEMENT OF OPERATIONS				
Revenue:				
Minimum rent	**$ 408,204**	$ 370,183	**$ 1,201,748**	$ 1,091,701
Overage rent	**40,784**	44,002	**128,565**	128,622
Tenant reimbursements	**197,494**	176,544	**569,044**	508,698
Other income	**40,903**	34,754	**122,505**	121,686
Total revenue	**687,385**	625,483	**2,021,862**	1,850,707
Operating Expenses:				
Property operating	**125,329**	125,162	**364,494**	351,963
Depreciation and amortization	**135,457**	125,828	**389,843**	375,280
Real estate taxes	**55,374**	45,068	**160,152**	132,618
Repairs and maintenance	**15,653**	15,418	**48,156**	45,269
Advertising and promotion	**14,141**	11,706	**44,164**	39,600
Provision for (recovery of) credit losses	**192**	(646)	**1,772**	(247)
Other	**37,948**	36,089	**110,129**	128,134
Total operating expenses	**384,094**	358,625	**1,118,710**	1,072,617
Operating Income	**303,291**	266,858	**903,152**	778,090
Interest expense	**(151,579)**	(148,891)	**(453,573)**	(451,581)
Income from Continuing Operations	**151,712**	117,967	**449,579**	326,509
Gain (loss) from operations of discontinued joint venture interests	**7**	(1,978)	**(339)**	(20,769)
Gain (loss) on disposal of discontinued operations, net	**6,580**	(4,904)	**24,936**	(4,904)
Net Income	**$ 158,299**	$ 111,085	**$ 474,176**	$ 300,836
Third-party investors' share of net income	**$ 85,211**	$ 66,308	**$ 263,926**	$ 163,108
Our share of net income	**73,088**	44,777	**210,250**	137,728
Amortization of excess investment	**(25,733)**	(21,726)	**(75,415)**	(55,059)
Our share of loss on sale or disposal of assets and interests in unconsolidated entities, net		9,245		9,245
Income from unconsolidated entities	**$ 47,355**	$ 32,296	**$ 134,835**	$ 91,914

Our share of income from unconsolidated entities in the above table, aggregated with our share of the results of Klépierre, is presented in income from unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income.

6. Debt

Unsecured Debt

At September 30, 2013, our unsecured debt consisted of $12.9 billion of senior unsecured notes of the Operating Partnership, $1.2 billion outstanding under our $4.0 billion unsecured revolving credit facility, or Credit Facility, $227.6 million outstanding under our $2.0 billion supplemental unsecured revolving credit facility, or Supplemental Facility, and $240.0 million outstanding under an unsecured term loan. The entire balance on the Credit Facility at September 30, 2013 consisted of Euro-denominated borrowings and the entire balance on the Supplemental Facility on such date consisted of Yen-denominated borrowings, both of which are designated as net investment hedges of our international investments.

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On September 30, 2013, we had an aggregate available borrowing capacity of $4.5 billion under the two credit facilities. The maximum outstanding balance of the credit facilities during the nine months ended September 30, 2013 was $1.6 billion and the weighted average outstanding balance was $1.4 billion. Letters of credit of $45.0 million were outstanding under the two credit facilities as of September 30, 2013.

The Credit Facility's initial borrowing capacity of $4.0 billion can be increased at our sole option to $5.0 billion during its term. The Credit Facility will initially mature on October 30, 2015 and can be extended for an additional year at our sole option. As of September 30, 2013, the base interest rate on the Credit Facility was LIBOR plus 95 basis points (reflects a five basis point reduction effective May 16, 2013) with an additional facility fee of 15 basis points. In addition, the Credit Facility provides for a money market competitive bid option program that allows us to hold auctions to achieve lower pricing for short-term borrowings. The Credit Facility also includes a $2.0 billion multi-currency tranche.

The Supplemental Facility's borrowing capacity of $2.0 billion can be increased at our sole option to $2.5 billion during its term. The Supplemental Facility will initially mature on June 30, 2016 and can be extended for an additional year at our sole option. As of September 30, 2013, the base interest rate on the Supplemental Facility was LIBOR plus 95 basis points (reflects a five basis point reduction effective May 16, 2013) with an additional facility fee of 15 basis points. Like the Credit Facility, the Supplemental Facility provides for a money market competitive bid option program and allows for multi-currency borrowings.

During the nine months ended September 30, 2013, we redeemed at par or repaid at maturity $504.5 million of senior unsecured notes with fixed rates ranging from 5.30% to 7.18% with cash on hand. In addition, we repaid a $240.0 million mortgage loan with the proceeds from a $240.0 million unsecured term loan. The term loan has a capacity of up to $300.0 million, bears interest at LIBOR plus 110 basis points and matures on February 28, 2016 with two available one-year extension options.

On October 2, 2013, the Operating Partnership issued €750.0 million ($1.0 billion USD equivalent) of senior unsecured notes at a fixed interest rate of 2.375% with a maturity date of October 2, 2020. Proceeds from the unsecured notes offering were used to pay down a portion of Euro-denominated borrowings on the Credit Facility and the acquisition of various assets in the McArthurGlen transactions further discussed in Note 5. These notes are designated as a net investment hedge of our Euro-denominated international investments.

Mortgage Debt

Total mortgage indebtedness was $8.1 billion and $8.0 billion at September 30, 2013 and December 31, 2012, respectively.

Covenants

Our unsecured debt agreements contain financial covenants and other non-financial covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender including adjustments to the applicable interest rate. As of September 30, 2013, we were in compliance with all covenants of our unsecured debt.

At September 30, 2013, we or our subsidiaries are the borrowers under 79 non-recourse mortgage notes secured by mortgages on 79 properties, including seven separate pools of cross-defaulted and cross-collateralized mortgages encumbering a total of 27 properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral. At September 30, 2013, the applicable borrowers under these non-recourse mortgage notes were in compliance with all covenants where non-compliance could individually, or giving effect to applicable cross-default provisions in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flows.

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Fair Value of Debt

The carrying value of our variable-rate mortgages and other loans approximates their fair values. We estimate the fair values of consolidated fixed-rate mortgages using cash flows discounted at current borrowing rates and other indebtedness using cash flows discounted at current market rates. We estimate the fair values of consolidated fixed-rate unsecured notes using quoted market prices, or, if no quoted market prices are available, we use quoted market prices for securities with similar terms and maturities. The book value of our consolidated fixed-rate mortgages and unsecured indebtedness was $20.7 billion and $21.0 billion as of September 30, 2013 and December 31, 2012, respectively. The fair values of these financial instruments and the related discount rate assumptions as of September 30, 2013 and December 31, 2012 are summarized as follows:

	September 30, 2013	*December 31, 2012*
Fair value of fixed-rate mortgages and unsecured indebtedness	**$ 22,140**	$ 23,373
Weighted average discount rates assumed in calculation of fair value for fixed-rate mortgages	**3.55%**	3.24%

7. Equity

During the nine months ended September 30, 2013, we issued 321,354 shares of common stock to 10 limited partners of the Operating Partnership in exchange for an equal number of units pursuant to the partnership agreement of the Operating Partnership.

Stock Based Compensation

Awards under our stock based compensation plans primarily take the form of LTIP units and restricted stock grants made under The Simon Property Group, L.P. 1998 Stock Incentive Plan, or the Plan. These awards are all performance based and are based on various corporate and business unit performance measures as further described below. In the aggregate, we recorded compensation expense, net of capitalization, related to these stock based compensation arrangements of approximately $40.0 million and $35.1 million for the nine months ended September 30, 2013 and 2012, respectively, which is included within home and regional office costs and general and administrative costs in the accompanying statements of operations and comprehensive income.

LTIP Programs. On March 16, 2010, the Compensation Committee of our Board of Directors, or the Compensation Committee, approved three long-term, performance based incentive compensation programs, or the 2010 LTIP programs, for certain senior executive officers. Awards under the LTIP programs take the form of LTIP units, a form of limited partnership interest issued by the Operating Partnership, and will be considered earned if, and only to the extent to which, applicable total shareholder return, or TSR, performance measures are achieved during the performance period. Once earned, LTIP units will become the equivalent of units only after a two year service-based vesting period, beginning after the end of the performance period. Awarded LTIP units not earned are forfeited. During the performance period, participants are entitled to receive on the LTIP units awarded to them distributions equal to 10% of the regular quarterly distributions paid on a unit of the Operating Partnership. As a result, we account for these LTIP units as participating securities under the two-class method of computing earnings per share. The 2010 LTIP programs had one, two and three year performance periods, which ended on December 31, 2010, 2011 and 2012, respectively.

In the first quarter of 2011, the Compensation Committee determined the extent to which the performance measures had been achieved and 133,673 LTIP units were earned under the one-year 2010 LTIP program and, pursuant to the award agreements, vested in two equal installments in 2012 and 2013. In the first quarter of 2012, the Compensation Committee determined the extent to which the performance measures had been achieved and 337,006 LTIP units were earned under the two-year 2010 LTIP program and, pursuant to the award agreements, will vest in two equal installments in 2013 and 2014. In the first quarter of 2013, the Compensation Committee determined the extent to which the performance measures had been achieved and 489,654 LTIP units were earned under the three-year 2010 LTIP program and, pursuant to the award agreements entered into with program participants, the earned LTIP units will vest in two equal installments in 2014 and 2015, subject to the conditions described in those agreements.

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During July 2011, the Compensation Committee approved a new three-year long-term performance based incentive compensation program, or the 2011-2013 LTIP program, and awarded LTIP units to certain senior executive officers. The 2011-2013 LTIP program has a three year performance period ending on December 31, 2013.

During March 2012, the Compensation Committee approved a three-year long-term performance based incentive compensation program, or the 2012-2014 LTIP program, and awarded LTIP units to certain senior executive officers. The 2012-2014 LTIP program has a three year performance period ending December 31, 2014 and units awarded under that program will be considered earned if, and only to the extent to which, applicable TSR performance measures are achieved during the performance period. One-half of the earned LTIP units will vest on January 1 of each of the second and third years following the end of the applicable performance period, subject to the participant maintaining employment with us through those dates.

During February 2013, the Compensation Committee approved a three-year long-term performance based incentive compensation program, or the 2013-2015 LTIP program, and awarded LTIP units to certain senior executive officers. The 2013-2015 LTIP program has a three year performance period ending December 31, 2015 and units awarded under that program will be considered earned if, and only to the extent to which, applicable TSR performance measures are achieved during the performance period. One-half of the earned LTIP units will vest on January 1 of each of the second and third years following the end of the applicable performance period, subject to the participant maintaining employment with us through those dates.

The 2010 LTIP program awards have an aggregate grant date fair value, adjusted for estimated forfeitures, of $7.2 million for the one-year program, $14.8 million for the two-year program and $23.0 million for the three-year program. Both the 2011-2013 LTIP program and 2012-2014 LTIP program have aggregate grant date fair values of $35.0 million, adjusted for estimated forfeitures. The 2013-2015 LTIP program has an aggregate grant date fair value of $33.5 million, adjusted for estimated forfeitures. Grant date fair values were estimated based upon the results of a Monte Carlo model, and the resulting expense will be recorded regardless of whether the TSR performance measures are achieved, if the required service is delivered. The grant date fair values are being amortized into expense over the period from the grant date to the date at which the awards, if any, become vested.

Restricted Stock. The Compensation Committee awarded an aggregate of 107,528 shares of restricted stock to employees on February 25, 2013, April 1, 2013 and June 6, 2013 under the Plan, at a fair market value of $157.37 per share, $159.32 per share and $166.56 per share, respectively. On May 14, 2013, our non-employee Directors were awarded 3,487 shares of restricted stock under the Plan at a fair market value of $179.23 per. The fair market value of the restricted stock awarded on February 25, 2013, April 1, 2013 and June 6, 2013 is being recognized as expense over the three-year vesting service period. The fair market value of the restricted stock awarded on May 14, 2013 to our non-employee Directors is being recognized as expense over the one-year vesting service period.

Other Compensation Arrangements. On July 6, 2011, in connection with the execution of an employment agreement, the Compensation Committee granted David Simon, our Chairman and CEO, a retention award in the form of 1,000,000 LTIP units. The award vests in one-third increments on July 5th of 2017, 2018 and 2019, subject to continued employment. The grant date fair value of the retention award was $120.3 million which is being recognized as expense over the eight-year term of his employment agreement on a straight-line basis.

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Changes in Equity

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to common stockholders and equity attributable to noncontrolling interests:

	Preferred Stock	*Common Stock*	*Accumulated Other Comprehensive Income (Loss)*	*Capital in Excess of Par Value*	*Accumulated Deficit*	*Common Stock Held in Treasury*	*Noncontrolling interests*	*Total Equity*
January 1, 2013	$ 44,719	$ 31	$ (90,900)	$ 9,175,724	$ (3,083,190)	$ (135,781)	$ 982,486	$ 6,893,089
Exchange of limited partner units for common shares				6,041			(6,041)	
Issuance of limited partner units								
Contributions from noncontrolling interest partners and other	(247)			(3,248)	(170)	17,750	39,299	53,384
Adjustment to limited partners' interest from change in ownership in the Operating Partnership				19,422			(19,422)	
Distributions to common stockholders and limited partners, excluding Operating Partnership preferred interests					(1,072,782)		(179,855)	(1,252,637)
Distributions to other noncontrolling interest partners							(249)	(249)
Comprehensive income, excluding $1,436 attributable to preferred interests in the Operating Partnership and $6,499 attributable to noncontrolling redeemable interests in properties in temporary equity			14,198		937,252		159,456	1,110,906
September 30, 2013	**$ 44,472**	**$ 31**	**$ (76,702)**	**$ 9,197,939**	**$ (3,218,890)**	**$ (118,031)**	**$ 975,674**	**$ 6,804,493**

8. Commitments and Contingencies

Litigation

We are involved from time-to-time in various legal proceedings that arise in the ordinary course of our business, including, but not limited to commercial disputes, environmental matters, and litigation in connection with transactions including acquisitions and divestitures. We believe that such litigation, claims and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is considered probable and the amount can be reasonably estimated.

In May 2010, Opry Mills sustained significant flood damage. Insurance proceeds of $50 million have been funded by the insurers, remediation work has been completed and the property was re-opened March 29, 2012. The excess insurance carriers (those providing coverage above $50 million) have denied the claim under the policy for additional proceeds (of up to $150 million) to pay further amounts for restoration costs and business interruption losses. We and our lenders are continuing our efforts through pending litigation to recover our losses under the excess insurance policies for Opry Mills and we believe recovery is probable, but no assurances can be made that our efforts to recover these funds will be successful.

Guarantees of Indebtedness

Joint venture debt is the liability of the joint venture and is typically secured by the joint venture property, which is non-recourse to us. As of September 30, 2013 and December 31, 2012, the Operating Partnership guaranteed joint venture related mortgage indebtedness of $179.2 million and $84.9 million, respectively (of which we have a right of recovery from our venture partners of $81.1 million and $38.6 million, respectively). Mortgages guaranteed by us are

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secured by the property of the joint venture which could be sold in order to satisfy the outstanding obligation and which has an estimated fair value in excess of the guaranteed amount.

Concentration of Credit Risk

Our malls, Premium Outlets, The Mills, and community/lifestyle centers rely heavily upon anchor tenants to attract customers; however anchor retailers do not contribute materially to our financial results as many anchor retailers own their spaces. All material operations are within the United States and no customer or tenant accounts for 5% or more of our consolidated revenues.

9. Real Estate Acquisitions and Dispositions

During the first nine months of 2013, we increased our economic interest in three unconsolidated community centers and subsequently disposed of our interests in those properties. Additionally, we disposed of our interests in four consolidated retail properties and two unconsolidated retail properties. The aggregate gain recognized on these transactions was approximately $72.6 million. Also, during the third quarter of 2013, we disposed of our interest in an office property located in the Boston, Massachusetts area. The gain on the sale was $7.9 million which is included in other income in the accompanying consolidated statements of operations and comprehensive income.

On May 30, 2013 we acquired a 100% interest in a 390,000 square foot outlet center located near Portland, Oregon for cash consideration of $146.7 million. The fair value of the acquisition was recorded primarily as investment property and lease related intangibles. As a result of the excess of fair value over amounts paid, we recognized a gain of approximately $27.3 million.

During 2012, we disposed of our interests in nine consolidated retail properties and four unconsolidated retail properties. Our share of the net gain on these disposals was $15.5 million. On May 3, 2012, we sold our interests in two residential apartment buildings located at The Domain in Austin, Texas. Our share of the gain from the sale was $12.4 million which is included in other income in the accompanying 2012 consolidated statement of operations and comprehensive income.

On December 31, 2012, as discussed in Note 5, we contributed a wholly-owned property to a newly formed joint venture in exchange for an interest in a property contributed to the same joint venture by our joint venture partner.

On December 4, 2012, we acquired the remaining 50% noncontrolling equity interests in two previously consolidated outlet properties located in Grand Prairie, Texas and Livermore, California and accordingly, we now own 100% of these properties. We paid consideration of $260.9 million for the additional interest in the properties, 90% of which was paid in cash and 10% of which was satisfied through the issuance of units of the Operating Partnership. In addition, the construction loans we had provided to the properties totaling $162.5 million were extinguished on a non-cash basis. The transaction was accounted for as an equity transaction, as the properties had been previously consolidated.

On June 4, 2012, we acquired a 50% interest in a 465,000 square foot outlet center located in Destin, Florida for $70.5 million.

On March 22, 2012, as discussed in Note 5, we acquired additional interests in 26 of our joint venture properties in a transaction valued at approximately $1.5 billion.

On March 14, 2012, as discussed in Note 5, we acquired a 28.7% equity stake in Klépierre for approximately $2.0 billion, including the capitalization of acquisition costs.

On January 9, 2012, as discussed in Note 5, we sold our entire ownership interest in GCI.

On January 6, 2012, we paid $50.0 million to acquire an additional interest in Del Amo Fashion Center, thereby increasing our interest to 50%.

Unless otherwise noted, gains and losses on the above transactions are included in gain (loss) upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net in the accompanying consolidated statements of operations and comprehensive income. We expense acquisition and potential acquisition costs related to business combinations and disposition related costs as they are incurred. We incurred a minimal amount of transaction expenses during the nine months ended September 30, 2013 and 2012.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in this report.

Overview

Simon Property Group, Inc., or Simon Property, is a Delaware corporation that operates as a self-administered and self-managed real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended. REITs will generally not be liable for federal corporate income taxes as long as they continue to distribute not less than 100% of their taxable income. Simon Property Group, L.P., or the Operating Partnership, is our majority-owned partnership subsidiary that owns all of our real estate properties and other assets. In this discussion, the terms "we", "us" and "our" refer to Simon Property, the Operating Partnership, and its subsidiaries.

We own, develop and manage retail real estate properties, which consist primarily of malls, Premium Outlets®, The Mills®, and community/lifestyle centers. As of September 30, 2013, we owned or held an interest in 312 income-producing properties in the United States, which consisted of 158 malls, 66 Premium Outlets, 64 community/lifestyle centers, 13 Mills, and 11 other shopping centers or outlet centers in 38 states and Puerto Rico. We have several Premium Outlets under development and have redevelopment and expansion projects, including the addition of anchors and big box tenants, underway at more than 35 properties in the U.S. and Asia. Internationally, as of September 30, 2013, we had ownership interests in nine Premium Outlets in Japan, three Premium Outlets in South Korea, one Premium Outlet in Canada, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia. Additionally, as of September 30, 2013, we owned a 28.9% equity stake in Klépierre SA, or Klépierre, a publicly traded, Paris-based real estate company, which owns, or has an interest in, more than 260 shopping centers located in 13 countries in Europe.

We generate the majority of our revenues from leases with retail tenants including:

- base minimum rents,
- overage and percentage rents based on tenants' sales volume, and
- recoverable expenditures such as property operating, real estate taxes, repair and maintenance, and advertising and promotional expenditures.

Revenues of our management company, after intercompany eliminations, consist primarily of management fees that are typically based upon the revenues of the property being managed.

We invest in real estate properties to maximize total financial return which includes both operating cash flows and capital appreciation. We seek growth in earnings, funds from operations, or FFO, and cash flows by enhancing the profitability and operation of our properties and investments. We seek to accomplish this growth through the following:

- attracting and retaining high quality tenants and utilizing economies of scale to reduce operating expenses,
- expanding and re-tenanting existing highly productive locations at competitive rental rates,
- selectively acquiring or increasing our interests in high quality real estate assets or portfolios of assets,
- generating consumer traffic in our retail properties through marketing initiatives and strategic corporate alliances, and
- selling selective non-core assets.

We also grow by generating supplemental revenues from the following activities:

establishing our malls as leading market resource providers for retailers and other businesses and consumer-focused corporate alliances, including payment systems (such as handling fees relating to the sales of bank-issued prepaid cards), national marketing alliances, static and digital media initiatives, business development, sponsorship, and events,

offering property operating services to our tenants and others, including waste handling and facility services, and the provision of energy services,

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selling or leasing land adjacent to our properties, commonly referred to as "outlots" or "outparcels," and

generating interest income on cash deposits and investments in loans, including those made to related entities.

We focus on high quality real estate across the retail real estate spectrum. We expand or redevelop properties to enhance profitability and market share of existing assets when we believe the investment of our capital meets our risk-reward criteria. We selectively develop new properties in markets we believe are not adequately served by existing retail outlets.

We routinely review and evaluate acquisition opportunities based on their ability to enhance our portfolio. Our international strategy includes partnering with established real estate companies and financing international investments with local currency to minimize foreign exchange risk.

To support our growth, we employ a three-fold capital strategy:

provide the capital necessary to fund growth,

maintain sufficient flexibility to access capital in many forms, both public and private, and

manage our overall financial structure in a fashion that preserves our investment grade credit ratings.

We consider FFO, net operating income, or NOI, and comparable property NOI (NOI for properties owned and operating in both periods under comparison) to be key measures of operating performance that are not specifically defined by accounting principles generally accepted in the United States, or GAAP. We use these measures internally to evaluate the operating performance of our portfolio and provide a basis for comparison with other real estate companies. Reconciliations of these measures to the most comparable GAAP measure are included below in this discussion.

Results Overview

Diluted earnings per common share decreased $0.70 during the first nine months of 2013 to $3.01 from $3.71 for the same period last year. The decrease in diluted earnings per share was primarily attributable to:

a 2012 gain due to the acquisition of a controlling interest, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net of $491.9 million, or $1.36 per diluted share, primarily driven by a non-cash gain of $488.7 million resulting from the remeasurement of our previously held interest to fair value for those properties in which we now have a controlling interest,

increased interest expense in 2013 as discussed below,

partially offset by a 2013 gain due to the sale or disposal of our interests in nine properties and the acquisition of a controlling interest in an outlet center of $99.9 million, or $0.28 per diluted share, and

improved operating performance and core business fundamentals in 2013 and the impact of our acquisition and expansion activity.

Core business fundamentals during the first nine months of 2013 improved compared to the first nine months of 2012, primarily driven by higher tenant sales and strong leasing activity. Our share of portfolio NOI grew by 10.3% for the nine month period in 2013 over the prior year period. Comparable property NOI also grew 5.2% for our portfolio of U.S. malls and Premium Outlets. Total sales per square foot, or psf, increased 3.0% from $562 psf at September 30, 2012 to $579 psf at September 30, 2013 for the U.S. malls and Premium Outlets. Average base

minimum rent for U.S. malls and Premium Outlets increased 3.5% to $41.73 psf as of September 30, 2013, from $40.33 psf as of September 30, 2012. Releasing spreads remained positive in the U.S. malls and Premium Outlets as we were able to lease available square feet at higher rents than the expiring rental rates on the same space, resulting in a releasing spread (based on total tenant payments base minimum rent plus common area maintenance) of $8.05 psf ($61.07 openings compared to $53.02 closings) as of September 30, 2013, representing a 15.2% increase over expiring payments. Ending occupancy for the U.S. malls and Premium Outlets was 95.5% as of September 30, 2013, as compared to 94.6% as of September 30, 2012, an increase of 90 basis points.

Our effective overall borrowing rate at September 30, 2013 decreased 24 basis points to 4.91% as compared to 5.15% at September 30, 2012. This decrease was primarily due to a decrease in the effective overall borrowing rate on

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fixed rate debt of 28 basis points (5.28% at September 30, 2013 as compared to 5.56% at September 30, 2012) combined with a decrease in the effective overall borrowing rate on variable rate debt of 39 basis points (1.15% at September 30, 2013 as compared to 1.54% at September 30, 2012), offset in part by a shift in our debt portfolio to a greater percentage of fixed rate debt from variable rate debt. At September 30, 2013, the weighted average years to maturity of our consolidated indebtedness was 5.6 years as compared to 5.9 years at December 31, 2012. Our financing activities for the nine months ended September 30, 2013, included the redemption at par or repayment at maturity of $504.5 million of senior unsecured notes with fixed rates ranging from 5.30% to 7.18%, a repayment of $145.0 million on our $4.0 billion unsecured revolving credit facility, or Credit Facility, and $250.0 million in new mortgage loan borrowings.

United States Portfolio Data

The portfolio data discussed in this overview includes the following key operating statistics: ending occupancy, average base minimum rent per square foot, and total sales per square foot for our domestic assets. We include acquired properties in this data beginning in the year of acquisition and remove disposed properties in the year of disposition. For comparative purposes, we separate the information related to community/lifestyle centers and The Mills from our other U.S. operations. We also do not include any properties located outside of the United States.

The following table sets forth these key operating statistics for:

properties that are consolidated in our consolidated financial statements,

properties we account for under the equity method of accounting as joint ventures, and

the foregoing two categories of properties on a total portfolio basis.

	September 30, 2013	*September 30, 2012*	*%/Basis Points Change(1)*
U.S. Malls and Premium Outlets:			
Ending Occupancy			
Consolidated	**95.6%**	94.8%	+80 bps
Unconsolidated	**94.9%**	93.9%	+100 bps
Total Portfolio	**95.5%**	94.6%	+90 bps
Average Base Minimum Rent per Square Foot			
Consolidated	**$ 39.56**	$ 38.23	3.5%
Unconsolidated	**$ 49.40**	$ 48.70	1.4%
Total Portfolio	**$ 41.73**	$ 40.33	3.5%
Total Sales per Square Foot			
Consolidated	**$ 559**	$ 543	2.9%
Unconsolidated	**$ 663**	$ 648	2.3%
Total Portfolio	**$ 579**	$ 562	3.0%
The Mills:			
Ending Occupancy	**98.3%**	97.2%	+110 bps
Average Base Minimum Rent per Square Foot	**$ 23.46**	$ 22.20	5.7%
Total Sales per Square Foot	**$ 521**	$ 505	3.2%
Community/Lifestyle Centers:			
Ending Occupancy	**94.3%**	94.3%	
Average Base Minimum Rent per Square Foot	**$ 14.43**	$ 13.97	3.3%

(1) Percentages may not recalculate due to rounding. Percentage and basis point changes are representative of the change from the comparable prior period.

Ending Occupancy Levels and Average Base Minimum Rent per Square Foot. Ending occupancy is the percentage of gross leasable area, or GLA, which is leased as of the last day of the reporting period. We include all company owned space except for mall anchors and mall majors in the calculation. Base minimum rent per square foot is the

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average base minimum rent charge in effect for the reporting period for all tenants that would qualify to be included in ending occupancy.

Total Sales per Square Foot. Total sales include total reported retail tenant sales on a trailing 12-month basis at owned GLA (for mall stores with less than 10,000 square feet) in the malls and all reporting tenants at the Premium Outlets and The Mills. Retail sales at owned GLA affect revenue and profitability levels because sales determine the amount of minimum rent that can be charged, the percentage rent realized, and the recoverable expenses (common area maintenance, real estate taxes, etc.) that tenants can afford to pay.

Current Leasing Activities

During the nine months ended September 30, 2013, we signed 896 new leases and 1,345 renewal leases with a fixed minimum rent (excluding mall anchors and majors, new development, redevelopment, expansion, downsizing and relocation) across our U.S. malls and Premium Outlets portfolio, comprising approximately 6.6 million square feet of which 5.2 million square feet related to consolidated properties. During the comparable period in 2012, we signed 912 new leases and 1,582 renewal leases, comprising approximately 8.0 million square feet of which 6.0 million square feet related to consolidated properties. The average annual initial base minimum rent for new leases was $44.43 per square foot in 2013 and $39.03 per square foot in 2012 with an average tenant allowance on new leases of $31.29 per square foot and $35.65 per square foot, respectively.

International Property Data

The following are selected key operating statistics for our Premium Outlets in Japan. The information used to prepare these statistics has been supplied by the managing venture partner.

	September 30, 2013	***September 30, 2012***	***%/Basis point Change***
Ending Occupancy	**99.6%**	99.8%	-20 bps
Total Sales per Square Foot	**¥ 90,013**	¥ 87,779	2.55%
Average Base Minimum Rent per Square Foot	**¥ 4,842**	¥ 4,793	1.02%

Results of Operations

In addition to the activity discussed above in the "Results Overview" section, the following acquisitions, openings, and dispositions of consolidated properties affected our consolidated results from continuing operations in the comparative periods:

During the nine months ended September 30, 2013, we disposed of our interest in two malls and two community centers.

On May 30, 2013, we acquired a 390,000 square foot outlet center located near Portland, Oregon.

On April 4, 2013, we opened Phoenix Premium Outlets in Chandler, Arizona, a 360,000 square foot upscale outlet center.

During 2012, we disposed of one mall, two community centers and six other retail properties.

On December 4, 2012, we acquired the remaining 50% noncontrolling interest in two previously consolidated outlet properties located in Livermore, California, and Grand Prairie, Texas, which opened on November 8, 2012 and August 16, 2012, respectively.

On June 14, 2012, we opened Merrimack Premium Outlets, a 410,000 square foot outlet center located in Hillsborough County, serving the Greater Boston and Nashua markets.

On March 29, 2012, Opry Mills re-opened after completion of the restoration of the property following the significant flood damage which occurred in May 2010.

On March 22, 2012, we acquired, through an acquisition of substantially all of the assets of The Mills Limited Partnership, or TMLP, additional interests in 26 joint venture properties in a transaction we refer to as the Mills transaction. Nine of these properties became consolidated properties at the acquisition date.

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In addition to the activities discussed above and in "Results Overview," the following acquisitions, dispositions and openings of joint venture properties affected our income from unconsolidated entities in the comparative periods:

During the nine months ended September 30, 2013, we increased our economic interest in three community centers and subsequently disposed of our interests in those properties. We also disposed of our interest in two retail properties.

On August 29, 2013, we and our partner, Shinsegae Group, opened Busan Premium Outlets, a 360,000 square foot outlet located in Busan, South Korea.

On August 22, 2013, we and our partner opened St. Louis Premium Outlets, a 350,000 square foot outlet center. This new center is a joint venture with Woodmont Outlets, in which we have a 60% noncontrolling interest.

On August 1, 2013, we and our partner, Calloway Real Estate Investment Trust, opened Toronto Premium Outlets in Canada, a 360,000 square foot outlet center.

On April 19, 2013, we and our partner, Mitsubishi Estate Co., LTD., opened Shisui Premium Outlets, a 235,000 square foot outlet center located in Shisui (Chiba), Japan.

During 2012, we disposed of our interests in three retail properties and one mall.

On December 31, 2012, we contributed The Shops at Mission Viejo, a wholly-owned property, to a newly formed joint venture in exchange for an interest in Woodfield Mall, a property contributed to the same joint venture by our joint venture partner.

On October 19, 2012, we opened Tanger Outlets in Galveston/Houston, a 350,000 square foot upscale outlet center located in Texas City, Texas. This new center is a joint venture with Tanger Factory Outlet Centers, Inc. in which we have a 50% noncontrolling interest.

On June 4, 2012, we acquired a 50% interest in a 465,000 square foot outlet center located in Destin, Florida.

As discussed above, on March 22, 2012, we acquired additional interests in 26 joint venture properties in the Mills transaction. Of these 26 properties, 16 remain unconsolidated.

On March 14, 2012, we acquired a 28.7% equity stake in Klépierre. On May 21, 2012, Klépierre paid a dividend, which we elected to receive in additional shares, increasing our ownership to approximately 28.9%.

On January 9, 2012, we sold our entire ownership interest in Gallerie Commerciali Italia, S.p.A, or GCI, a joint venture which at the time owned 45 properties located in Italy to our venture partner, Auchan S.A.

On January 6, 2012, we acquired an additional 25% interest in Del Amo Fashion Center.

For the purposes of the following comparison between the three month and nine month periods ended September 30, 2013 and 2012, the above transactions are referred to as the property transactions. In the following discussions of our results of operations, "comparable" refers to properties we owned and operated in both of the periods under comparison.

Three Months Ended September 30, 2013 vs. Three Months Ended September 30, 2012

Minimum rents increased $36.8 million during 2013, of which the property transactions accounted for $15.3 million of the increase. Comparable rents increased $21.5 million, or 3.2%, primarily attributable to a $21.3 million increase in base minimum rents. Overage rents increased $5.3 million, or 10.4%, as a result of the property transactions and an increase in tenant sales in 2013 at the comparable properties compared to 2012 of $3.6 million.

Tenant reimbursements increased $25.3 million, due to a $6.2 million increase attributable to the property transactions and a $19.1 million, or 6.5%, increase in the comparable properties primarily due to real estate tax reimbursements and annual increases related to common area maintenance.

Total other income increased $5.0 million, principally as a result of the following:

a $7.9 million gain on the sale of a non-retail office building,

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a $2.3 million increase in land sale activity, and

a $2.0 million increase of net other activity,

partially offset by a $7.2 million decrease in interest income primarily related to the repayment of related party loans and loans held for investment.

Depreciation and amortization expense increased $15.8 million primarily due to the additional depreciable assets related to the property transactions.

Home and regional office costs increased $7.1 million primarily related to higher personnel costs.

Other expenses increased $5.2 million of which $1.8 million of the increase is attributable to the property transactions and $3.4 million related primarily to increased legal and professional fees.

Interest expense decreased $4.4 million primarily as a result of the repayment of debt. We repaid $108.4 million of mortgages at 12 properties in the third and fourth quarters of 2012, $504.5 million of unsecured notes in 2013 and $106.1 million of unsecured notes in the third quarter of 2012, and $145.0 million on the US dollar tranche of the Credit Facility in the first quarter of 2013 and $520.0 million on such tranche in the fourth quarter of 2012. These decreases were partially offset by the issuance of unsecured notes in the fourth quarter of 2012, $250.0 million in new mortgage loan borrowings during 2013 and the net impact of 2013 refinancing activity.

Income and other taxes increased $3.9 million primarily due to taxes related to certain of our international investments and an increase in state income taxes.

Income from unconsolidated entities increased $10.8 million primarily due to favorable results of operations from joint venture properties and our acquisition and expansion activity.

During the quarter ended September 30, 2013, we disposed of our interest in one mall, one community center and one retail property resulting in an aggregate gain of $11.1 million. During the quarter ended September 30, 2012, we disposed of our interest in four unconsolidated properties and two community centers resulting in an aggregate loss of $2.9 million.

Net income attributable to noncontrolling interests increased $4.2 million due to an increase in the net income of the Operating Partnership.

Nine Months Ended September 30, 2013 vs. Nine Months Ended September 30, 2012

Minimum rents increased $144.5 million during the 2013 period, of which the property transactions accounted for $86.4 million of the increase. Comparable rents increased $58.1 million, or 2.9%, primarily attributable to a $58.7 million increase in base minimum rents. Overage rents increased $24.2 million, or 21.9%, as a result of the property transactions and an increase in tenant sales at the comparable properties in 2013 compared to 2012 of $17.4 million.

Tenant reimbursements increased $80.5 million, due to a $35.5 million increase attributable to the property transactions and a $45.0 million, or 5.2%, increase in the comparable properties primarily due to real estate tax reimbursements and annual increases related to common area maintenance.

Total other income decreased $33.3 million, principally as a result of the following:

a $16.6 million decrease in interest income primarily related to the repayment of related party loans and loans held for investment,

a $12.1 million gain on the sale of our investments in two multi-family residential facilities in the second quarter of 2012, and

an $8.6 million decrease in lease settlement income due to a higher number of terminated leases in 2012,

partially offset by a $7.9 million gain on the sale of a non-retail office building in 2013.

Property operating expense increased $1.0 million primarily due to a $8.3 million increase related to the property transactions, offset by a $7.3 million decrease related to the comparable properties as a result of our ongoing cost savings efforts.

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Depreciation and amortization expense increased $54.1 million primarily due to the additional depreciable assets related to the property transactions.

Real estate tax expense increased $21.1 million primarily due to an $11.4 million increase related to the property transactions.

Repairs and maintenance expense increased $5.7 million primarily as a result of increased snow removal costs compared to the prior year period.

Home and regional office costs increased $11.0 million primarily related to higher personnel costs.

Other expenses increased $4.0 million primarily due to increased legal and professional fees.

Interest expense increased $14.0 million primarily due to an increase of $22.1 million related to the property transactions, borrowings on the Euro tranche of the Credit Facility in the first quarter of 2012, the issuance of unsecured notes in the first and fourth quarters of 2012 and $250.0 million in new mortgage loan borrowings during 2013. These increases were partially offset by the net impact of 2013 refinancing activity and the following repayments: $536.2 million of mortgages at 19 properties in 2012, $504.5 million of unsecured notes in 2013 and $231.0 million of unsecured notes in 2012 and the repayment of $145.0 million on the US dollar tranche of the Credit Facility in the first quarter of 2013 and $520.0 million on such tranche in the fourth quarter of 2012.

Income and other taxes increased $20.1 million due to taxes related to certain of our international investments and an increase in state income taxes.

Income from unconsolidated entities increased $62.1 million primarily due to the increase in ownership in the joint venture properties acquired as part of the Mills transaction, the 2012 acquisition of an equity stake in Klépierre, our acquisition and expansion activity and favorable results of operations from joint venture properties.

During the nine months ended September 30, 2013, we increased our economic interest in three unconsolidated community centers and subsequently disposed of our interests in those properties. Additionally, we disposed of our interest in two community centers, two malls, two retail properties and recorded a gain on the acquisition of an outlet center. The aggregate gain recognized on these transactions was approximately $99.9 million. During 2012, we disposed of our interest in GCI, four unconsolidated properties and two community centers for a net gain of $25.6 million and acquired a controlling interest in nine properties previously accounted for under the equity method in the Mills transaction which resulted in the recognition of a non-cash gain of $488.7 million. In addition, we recorded an other-than-temporary impairment charge of $22.4 million on our remaining investment in SPG-FCM Ventures, LLC, or SPG-FCM, which holds our investment in TMLP, representing the excess of carrying value over the estimated fair value.

Net income attributable to noncontrolling interests decreased $65.8 million due to a decrease in the net income of the Operating Partnership.

Liquidity and Capital Resources

Because we own long-lived income-producing assets, our financing strategy relies primarily on long-term fixed rate debt. We minimize the use of floating rate debt and may enter into floating rate to fixed rate interest rate swaps. Floating rate debt currently comprises only 8.9% of our total consolidated debt at September 30, 2013. We also enter into interest rate protection agreements to manage our interest rate risk. We derive most of our liquidity from positive net cash flow from operations and distributions of capital from unconsolidated entities that totaled $2.4 billion during the nine months ended September 30, 2013. In addition, the Credit Facility and the $2.0 billion supplemental unsecured revolving credit facility, or Supplemental Facility, provide alternative sources of liquidity as our cash needs vary from time to time. Borrowing capacity under each of these facilities can be increased at our sole option as discussed further below.

Our balance of cash and cash equivalents decreased $85.2 million during the first nine months of 2013 to $1.1 billion as of September 30, 2013 as further discussed under "Cash Flows" below.

On September 30, 2013, we had an aggregate available borrowing capacity of $4.5 billion under the two credit facilities, net of outstanding borrowings of $1.4 billion and letters of credit of $45.0 million. For the nine months ended September 30, 2013, the maximum amount outstanding under the two credit facilities was $1.6 billion and the weighted

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average amount outstanding was $1.4 billion. The weighted average interest rate was 1.05% for the nine months ended September 30, 2013.

We and the Operating Partnership have historically had access to public equity and long term unsecured debt markets and access to secured debt and private equity from institutional investors at the property level.

Our business model and status as a REIT requires us to regularly access the debt markets to raise funds for acquisition, development and redevelopment activity, and to refinance maturing debt. We may also, from time to time, access the equity capital markets to accomplish our business objectives. We believe we have sufficient cash on hand and availability under the Credit Facility and the Supplemental Facility to address our debt maturities and capital needs through 2013.

Cash Flows

Our net cash flow from operating activities and distributions of capital from unconsolidated entities for the nine months ended September 30, 2013 totaled $2.4 billion. In addition, we had net repayments from our debt financing and repayment activities of $361.3 million in 2013. These activities are further discussed below under "Financing and Debt." During the first nine months of 2013, we or the Operating Partnership also:

- funded the acquisition of an outlet center, an additional ownership interest in three community/lifestyle centers, deposits for the acquisition of an undeveloped land parcel and a long-term ground lease buyout, and an ownership interest in a European property management and development company and a related operating property for $308.6 million,
- received proceeds of $248.5 million from the disposition of two malls and five community/lifestyle centers,
- paid stockholder dividends and unitholder distributions totaling $1.3 billion,
- funded consolidated capital expenditures of $628.6 million (includes development and other costs of $43.5 million, redevelopment and expansion costs of $397.7 million, and tenant costs and other operational capital expenditures of $187.4 million), and
- funded investments in unconsolidated entities of $113.4 million and construction loans to joint ventures of $62.7 million.

In general, we anticipate that cash generated from operations will be sufficient to meet operating expenses, monthly debt service, recurring capital expenditures, and dividends to stockholders necessary to maintain our REIT qualification on a long-term basis. In addition, we expect to be able to generate or obtain capital for nonrecurring capital expenditures, such as acquisitions, major building redevelopments and expansions, as well as for scheduled principal maturities on outstanding indebtedness, from:

- excess cash generated from operating performance and working capital reserves,
- borrowings on our credit facilities,
- additional secured or unsecured debt financing, or
- additional equity raised in the public or private markets.

We expect to generate positive cash flow from operations in 2013, and we consider these projected cash flows in our sources and uses of cash. These cash flows are principally derived from rents paid by our retail tenants. A significant deterioration in projected cash flows from operations could cause us to increase our reliance on available funds from our credit facilities, curtail planned capital expenditures, or seek other additional sources of financing as discussed above.

Financing and Debt

Unsecured Debt

At September 30, 2013, our unsecured debt consisted of $12.9 billion of senior unsecured notes of the Operating Partnership, $1.2 billion outstanding under our $4.0 billion unsecured revolving credit facility, or Credit Facility, $227.6 million outstanding under our $2.0 billion supplemental unsecured revolving credit facility, or Supplemental Facility, and $240.0 million outstanding under an unsecured term loan. The entire balance on the Credit

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Facility at September 30, 2013 consisted of Euro-denominated borrowings and the entire balance on the Supplemental Facility on such date consisted of Yen-denominated borrowings, both of which are designated as net investment hedges of our international investments.

On September 30, 2013, we had an aggregate available borrowing capacity of $4.5 billion under the two credit facilities. The maximum outstanding balance of the credit facilities during the nine months ended September 30, 2013 was $1.6 billion and the weighted average outstanding balance was $1.4 billion. Letters of credit of $45.0 million were outstanding under the two credit facilities as of September 30, 2013.

The Credit Facility's initial borrowing capacity of $4.0 billion can be increased at our sole option to $5.0 billion during its term. The Credit Facility will initially mature on October 30, 2015 and can be extended for an additional year at our sole option. As of September 30, 2013, the base interest rate on the Credit Facility was LIBOR plus 95 basis points (reflects a five basis point reduction effective May 16, 2013) with an additional facility fee of 15 basis points. In addition, the Credit Facility provides for a money market competitive bid option program that allows us to hold auctions to achieve lower pricing for short-term borrowings. The Credit Facility also includes a $2.0 billion multi-currency tranche.

The Supplemental Facility's borrowing capacity of $2.0 billion can be increased at our sole option to $2.5 billion during its term. The Supplemental Facility will initially mature on June 30, 2016 and can be extended for an additional year at our sole option. As of September 30, 2013, the base interest rate on the Supplemental Facility was LIBOR plus 95 basis points (reflects a five basis point reduction effective May 16, 2013) with an additional facility fee of 15 basis points. Like the Credit Facility, the Supplemental Facility provides for a money market competitive bid option program and allows for multi-currency borrowings.

During the nine months ended September 30, 2013, we redeemed at par or repaid at maturity $504.5 million of senior unsecured notes with fixed rates ranging from 5.30% to 7.18% with cash on hand. In addition, we repaid a $240.0 million mortgage loan with the proceeds from a $240.0 million unsecured term loan. The term loan has a capacity of up to $300.0 million, bears interest at LIBOR plus 110 basis points and matures on February 28, 2016 with two available one-year extension options.

On October 2, 2013, the Operating Partnership issued €750.0 million ($1.0 billion USD equivalent) of senior unsecured notes at a fixed interest rate of 2.375% with a maturity date of October 2, 2020. Proceeds from the unsecured notes offering were used to pay down a portion of Euro-denominated borrowings on the Credit Facility and the acquisition of various assets in the McArthurGlen transactions further discussed elsewhere in this report. These notes were designated as a net investment hedge of our Euro-denominated international investments.

Mortgage Debt

Total mortgage indebtedness was $8.1 billion and $8.0 billion at September 30, 2013 and December 31, 2012, respectively.

Covenants

Our unsecured debt agreements contain financial covenants and other non-financial covenants. If we were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lender including adjustments to the applicable interest rate. As of September 30, 2013, we were in compliance with all covenants of our unsecured debt.

At September 30, 2013, we or our subsidiaries are the borrowers under 79 non-recourse mortgage notes secured by mortgages on 79 properties, including seven separate pools of cross-defaulted and cross-collateralized mortgages encumbering a total of 27 properties. Under these cross-default provisions, a default under any mortgage included in the cross-defaulted pool may constitute a default under all mortgages within that pool and may lead to acceleration of the indebtedness due on each property within the pool. Certain of our secured debt instruments contain financial and other non-financial covenants which are specific to the properties which serve as collateral for that debt. If the borrower fails to comply with these covenants, the lender could accelerate the debt and enforce its right against their collateral. At September 30, 2013, the applicable borrowers under these non-recourse mortgage notes were in compliance with all covenants where non-compliance could individually, or giving effect to applicable cross-default provisions in the aggregate, have a material adverse effect on our financial condition, results of operations or cash flows.

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Summary of Financing

Our consolidated debt, adjusted to reflect outstanding derivative instruments, and the effective weighted average interest rates as of September 30, 2013 and December 31, 2012, consisted of the following (dollars in thousands):

Debt Subject to	*Adjusted Balance as of September 30, 2013*	*Effective Weighted Average Interest Rate*	*Adjusted Balance as of December 31, 2012*	*Effective Weighted Average Interest Rate*
Fixed Rate	**$ 20,697,484**	**5.28%**	$ 21,077,358	5.33%
Variable Rate	**2,032,170**	**1.15%**	2,035,649	1.40%
	$ 22,729,654	**4.91%**	$ 23,113,007	4.99%

Contractual Obligations

There have been no material changes to our outstanding capital expenditure and lease commitments previously disclosed in our 2012 Annual Report on Form 10-K.

In regards to long-term debt arrangements, the following table summarizes the material aspects of these future obligations on our consolidated indebtedness as of September 30, 2013, for the remainder of 2013 and subsequent years thereafter (dollars in thousands) assuming the obligations remain outstanding through initial maturities:

	2013	*2014-2015*	*2016-2017*	*After 2017*	*Total*
Long Term Debt(1)	$ 18,838	$ 4,057,573	$ 8,870,457	$ 9,746,151	$ 22,693,019
Interest Payments(2)	$ 278,741	$ 1,958,691	$ 1,282,333	$ 2,577,542	$ 6,097,307

(1) Represents principal maturities only and therefore, excludes net premiums of $36,635.

(2) Variable rate interest payments are estimated based on the LIBOR rate at September 30, 2013.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist primarily of our investments in joint ventures which are common in the real estate industry and are described in Note 5 of the condensed notes to consolidated financial statements. Our joint ventures typically fund their cash needs through secured debt financings obtained by and in the name of the joint venture entity. The joint venture debt is secured by a first mortgage, is without recourse to the joint venture partners, and does not represent a liability of the partners, except to the extent the partners or their affiliates expressly guarantee the joint venture debt. As of September 30, 2013, the Operating Partnership had guaranteed $179.2 million of joint venture related mortgage indebtedness (of which we have a right of recovery from our venture partners of $81.1 million). Mortgages guaranteed by us are secured by the property of the joint venture which could be sold in order to satisfy the outstanding obligation and which has an estimated fair value in excess of the guaranteed amount. We may elect to fund cash needs of a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such fundings are not typically required contractually or otherwise.

Acquisitions and Dispositions

Buy-sell, marketing rights, and other exit mechanisms are common in real estate partnership agreements. Most of our partners are institutional investors who have a history of direct investment in retail real estate. We and our partners in our joint venture properties may initiate these provisions (subject to any applicable lock up or similar restrictions). If we determine it is in our stockholders' best interests for us to purchase the joint venture interest and we have adequate liquidity to execute the purchase without hindering our cash flows, then we may initiate these provisions or elect to buy our partner's interest. If we decide to sell any of our joint venture interests, we expect to use the net proceeds to reduce outstanding indebtedness or to reinvest in development, redevelopment, or expansion opportunities.

Acquisitions. During the second quarter of 2013, we signed a definitive agreement to form one or more joint ventures to invest in certain existing designer outlets, development projects, and the property management and

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development companies of McArthurGlen, an owner, developer and manager of designer outlets in Europe. As of September 30, 2013, we had made equity investments and advances and funded our share of development costs of approximately $73.9 million, which included the acquisition of a noncontrolling 50% ownership interest in the property management and development companies, a 45% ownership interest in a development project, and a 22.5% interest in Ashford Designer Outlets in Kent, UK. On October 16, 2013, we completed the transactions contemplated by our previously announced definitive agreement by acquiring interests in four existing McArthurGlen outlets Parndorf (Vienna, Austria), La Reggia (Naples, Italy), Noventa di Piave (Venice, Italy) and Roermond (Roermond, the Netherlands) for cash consideration of €327.5 million ($444.1 million USD equivalent). Our noncontrolling ownership interests in these four centers range from 60% to 90%.

On May 30, 2013 we acquired a 100% interest in a 390,000 square foot outlet center located near Portland, Oregon for cash consideration of $146.7 million.

On December 31, 2012, we formed a joint venture with Institutional Mall Investors, or IMI, to own and operate The Shops at Mission Viejo in the Los Angeles suburb of Mission Viejo, California, and Woodfield Mall in the Chicago suburb of Schaumburg, Illinois. As of December 31, 2012, we and IMI each own a noncontrolling 50% interest in Woodfield Mall and we own a noncontrolling 51% interest in The Shops at Mission Viejo and IMI owns the remaining 49%. Prior to the formation of the joint venture, we owned 100% of The Shops at Mission Viejo and IMI owned 100% of Woodfield Mall. No gain was recorded as the transaction was recorded based on the carryover basis of our previous investment. Woodfield Mall is encumbered by a $425 million mortgage loan which matures in March of 2024 and bears interest at 4.5%. In January 2013, the joint venture closed a $295 million mortgage on the Shops at Mission Viejo which bears interest at 3.61% and matures in February of 2023. The proceeds from the financing were distributed to the venture partners and, as a result, we received a distribution of $149.7 million.

On December 4, 2012, we acquired the remaining 50% noncontrolling equity interests in two previously consolidated outlet properties located in Grand Prairie, Texas, and Livermore, California, and, accordingly, we now own 100% of these properties. We paid consideration of $260.9 million for the additional interest in the properties, 90% of which was paid in cash and 10% of which was satisfied through the issuance of units of the Operating Partnership. In addition, the construction loans we had provided to the properties totaling $162.5 million were extinguished on a non-cash basis. The transaction was accounted for as an equity transaction, as the properties had been previously consolidated.

On June 4, 2012, we acquired a 50% interest in a 465,000 square foot outlet center located in Destin, Florida for $70.5 million.

On March 22, 2012, we acquired, through an acquisition of substantially all of the assets of TMLP, additional interests in 26 properties. The transaction resulted in additional interests in 16 of the properties which remain unconsolidated, the consolidation of nine previously unconsolidated properties and the purchase of the remaining noncontrolling interest in a previously consolidated property. The transaction was valued at $1.5 billion, which included repayment of the remaining $562.1 million balance on TMLP's senior loan facility and retirement of $100.0 million of TMLP's trust preferred securities. In connection with the transaction, our $558.4 million loan to SPG-FCM was extinguished on a non-cash basis. We consolidated $2.6 billion in additional property-level mortgage debt in connection with this transaction. The transaction resulted in a remeasurement of our previously held interest in each of these nine newly consolidated properties to fair value and the recognition of a corresponding non-cash gain of approximately $488.7 million.

On March 14, 2012, we acquired a 28.7% equity stake in Klépierre for approximately $2.0 billion. On May 21, 2012, Klépierre paid a dividend, which we elected to receive in additional shares, increasing our ownership to approximately 28.9%.

On January 6, 2012, we paid $50.0 million to acquire an additional interest in Del Amo Fashion Center, thereby increasing our interest to 50%.

Dispositions. We continue to pursue the disposition of properties that no longer meet our strategic criteria or that are not a primary retail venue within their trade area.

During the first nine months of 2013, we increased our economic interest in three unconsolidated community centers and subsequently disposed of our interests in those properties. Additionally, we disposed of our interests in four consolidated retail properties and two unconsolidated retail properties. The aggregate gain recognized on these transactions was approximately $72.6 million. Also, during the third quarter of 2013, we disposed of our interest in an

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office property located in the Boston, Massachusetts area. The gain on the sale was $7.9 million which is included in other income in the consolidated statements of operations and comprehensive income.

Development Activity

New Domestic Development. During the third quarter of 2013, we began construction on Charlotte Premium Outlets, a 400,000 square foot project located in Charlotte, North Carolina. We own a 50% noncontrolling interest in this project, which is a joint venture with Tanger Factory Outlet Centers, Inc. The center is expected to open in July of 2014. Our estimated share of the cost of this project is $46.0 million.

In addition, during the third quarter we began construction on Twin Cities Premium Outlets, a 410,000 square foot project located in Eagan, Minnesota. We own a 35% noncontrolling interest in this project. The center is expected to open in August of 2014. Our estimated share of the cost of this project is $38.0 million.

On August 22, 2013, we opened St. Louis Premium Outlets, a 350,000 square foot upscale outlet center located in Chesterfield, Missouri. We own a 60% noncontrolling interest in this project, which is a joint venture with Woodmont Outlets. Our share of the cost of this new center was approximately $50.0 million. The center was 100% leased at opening.

On April 4, 2013, we opened Phoenix Premium Outlets in Chandler, Arizona, a 360,000 square foot upscale outlet center. The cost of this new center, in which we have a 100% interest, was approximately $70.0 million. The center was 100% leased at opening.

Domestic Expansions and Redevelopments. We routinely incur costs related to construction for significant redevelopment and expansion projects at our properties. We also have reinstituted redevelopment and expansion initiatives which we had previously reduced given the downturn in the economy. Redevelopment and expansion projects, including the addition of anchors and big box tenants, are underway at more than 35 properties in the U.S.

We expect our share of development costs for 2013 related to new development, redevelopment or expansion initiatives to be approximately $1.1 billion. We expect to fund these capital projects with cash flows from operations. Our estimated stabilized return on invested capital typically ranges between 10-12% for all of our new development, expansion and redevelopment projects.

International Development Activity. We typically reinvest net cash flow from our international joint ventures to fund future international development activity. We believe this strategy mitigates some of the risk of our initial investment and our exposure to changes in foreign currencies. We have also funded most of our foreign investments with local currency-denominated borrowings that act as a natural hedge against fluctuations in exchange rates. Our consolidated net income exposure to changes in the volatility of the Euro, Yen, Won, and other foreign currencies is not material. We expect our share of international development costs for 2013 will be approximately $114.0 million, primarily funded through reinvested joint venture cash flow and construction loans.

The following table describes these new development and expansion projects as well as our share of the estimated total cost as of September 30, 2013 (in millions):

Property	*Location*	*Gross Leasable Area (sqft)*	*Our Ownership Percentage*	*Our Share of Projected Net Cost (in Local Currency)*	*Our Share of Projected Net Cost (in USD)*	*Projected Opening Date*
New Development Projects:						
Shisui Premium Outlets	Shisui (Chiba), Japan	235,000	40%	JPY 3,753	$ 38.1	Opened Apr. - 2013
Toronto Premium Outlets	Halton Hills (Ontario), Canada	360,000	50%	CAD 79.8	$ 77.4	Opened Aug. - 2013
Busan Premium Outlets	Busan, South Korea	360,000	50%	KRW 83,919	$ 78.0	Opened Aug. - 2013
Montreal Premium Outlets	Montreal (Quebec), Canada	360,000	50%	CAD 73.9	$ 71.6	Oct. - 2014
Vancouver Designer Outlets	Vancouver (British Columbia), Canada	215,000	45%	CAD 68.7	$ 66.7	Mar. - 2015
Expansions:						
Paju Premium Outlets Phase 2	Gyeonggi Province, South Korea	100,000	50%	KRW 19,631	$ 17.1	Opened May - 2013

Johor Premium Outlets Phase 2	Johor, Malaysia	90,000	50%	MYR 24.1	$	7.4	Nov. - 2013

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Dividends

We paid a common stock dividend of $1.15 per share in the third quarter of 2013. In October, our Board of Directors declared a cash dividend of $1.20 per share of common stock payable on November 29, 2013 to stockholders of record on November 15, 2013. We must pay a minimum amount of dividends to maintain our status as a REIT. Our dividends typically exceed our net income generated in any given year primarily because of depreciation, which is a non-cash expense. Our future dividends and future distributions of the Operating Partnership will be determined by the Board of Directors based on actual results of operations, cash available for dividends and limited partner distributions, cash reserves as deemed necessary for capital and operating expenditures, and the amount required to maintain our status as a REIT.

Forward-Looking Statements

Certain statements made in this section or elsewhere in this report may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained, and it is possible that our actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such factors include, but are not limited to: our ability to meet debt service requirements, the availability of financing, changes in our credit rating, changes in market rates of interest and foreign exchange rates for foreign currencies, the ability to hedge interest rate risk, risks associated with the acquisition, development and expansion of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic climates, changes in market rental rates, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, intensely competitive market environment in the retail industry, costs of common area maintenance, risks related to international activities, insurance costs and coverage, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. We discussed these and other risks and uncertainties under the heading "Risk Factors" in our most recent Annual Report on Form 10-K. We may update that discussion in subsequent Quarterly Reports on Form 10-Q, but otherwise we undertake no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

Non-GAAP Financial Measures

Industry practice is to evaluate real estate properties in part based on performance measures such as FFO, diluted FFO per share, NOI and comparable property NOI. We believe that these non-GAAP measures are helpful to investors because they are widely recognized measures of the performance of REITs and provide a relevant basis for comparison among REITs. We also use these measures internally to measure the operating performance of our portfolio.

We determine FFO based on the definition set forth by the National Association of Real Estate Investment Trusts, or NAREIT, as consolidated net income computed in accordance with GAAP:

- excluding real estate related depreciation and amortization,
- excluding gains and losses from extraordinary items and cumulative effects of accounting changes,
- excluding gains and losses from the sales or disposals of previously depreciated retail operating properties,
- excluding impairment charges of depreciable real estate,
- plus the allocable portion of FFO of unconsolidated entities accounted for under the equity method of accounting based upon economic ownership interest, and
- all determined on a consistent basis in accordance with GAAP.

We have adopted NAREIT's clarification of the definition of FFO that requires us to include the effects of nonrecurring items not classified as extraordinary, cumulative effect of accounting changes, or a gain or loss resulting from the sale of, or any impairment charges

related to, previously depreciated retail operating properties.

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We include in FFO gains and losses realized from the sale of land, outlot buildings, marketable and non-marketable securities, and investment holdings of non-retail real estate.

You should understand that our computations of these non-GAAP measures might not be comparable to similar measures reported by other REITs and that these non-GAAP measures:

- do not represent cash flow from operations as defined by GAAP,
- should not be considered as alternatives to consolidated net income determined in accordance with GAAP as a measure of operating performance, and
- are not alternatives to cash flows as a measure of liquidity.

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The following schedule reconciles total FFO to consolidated net income and diluted net income per share to diluted FFO per share.

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2013	***2012***	***2013***	***2012***
(in thousands)				
Funds from Operations	**$ 802,750**	$ 720,052	**$ 2,310,931**	$ 2,057,474
Increase in FFO from prior period	**11.5%**	18.8%	**12.3%**	16.9%
Consolidated Net Income	**$ 367,293**	$ 306,371	**$ 1,102,287**	$ 1,349,136
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties	**321,962**	306,612	**949,169**	896,147
Our share of depreciation and amortization from unconsolidated entities, including Klépierre	**130,055**	110,188	**376,432**	321,318
(Gain) loss upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**(11,071)**	2,911	**(99,906)**	(491,926)
Net income attributable to noncontrolling interest holders in properties	**(1,958)**	(2,464)	**(6,517)**	(6,427)
Noncontrolling interests portion of depreciation and amortization	**(2,218)**	(2,253)	**(6,595)**	(6,835)
Preferred distributions and dividends	**(1,313)**	(1,313)	**(3,939)**	(3,939)
FFO of the Operating Partnership	**$ 802,750**	$ 720,052	**$ 2,310,931**	$ 2,057,474
FFO allocable to limited partners	**115,440**	116,207	**332,474**	342,704
Dilutive FFO Allocable to Simon Property	**$ 687,310**	$ 603,845	**$ 1,978,457**	$ 1,714,770
Diluted net income per share to diluted FFO per share reconciliation:				
Diluted net income per share	**$ 1.00**	$ 0.84	**$ 3.01**	$ 3.71
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre, net of noncontrolling interests portion of depreciation and amortization	**1.24**	1.14	**3.65**	3.35
(Gain) loss upon acquisition of controlling interest, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**(0.03)**	0.01	**(0.28)**	(1.36)
Diluted FFO per share	**$ 2.21**	$ 1.99	**$ 6.38**	$ 5.70
Basic weighted average shares outstanding	**310,333**	304,108	**310,195**	301,029
Adjustments for diluation calculation:				
Effect of stock options		1		1
Diluted weighted average shares outstanding	**310,333**	304,109	**310,195**	301,030
Weighted average limited partnership units outstanding	**52,122**	58,524	**52,127**	60,162
Diluted weighted average shares and units outstanding	**362,455**	362,633	**362,322**	361,192

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The following schedule reconciles consolidated net income to NOI and sets forth the computations of comparable property NOI.

	For the Three Months Ended September 30,		*For the Nine Months Ended September 30,*	
	2013	*2012*	*2013*	*2012*
(in thousands)				
Reconciliation of NOI of consolidated properties:				
Consolidated Net Income	**$ 367,293**	$ 306,371	**$ 1,102,287**	$ 1,349,136
Income and other taxes	**7,768**	3,904	**29,943**	9,872
Interest expense	**284,491**	288,896	**849,482**	835,532
Income from unconsolidated entities	**(47,916)**	(37,129)	**(158,663)**	(96,613)
(Gain) loss upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities, and impairment charge on investment in unconsolidated entities, net	**(11,071)**	2,911	**(99,906)**	(491,926)
Operating Income	**600,565**	564,953	**1,723,143**	1,606,001
Depreciation and amortization	**326,073**	310,244	**961,344**	907,217
NOI of consolidated properties	**$ 926,638**	$ 875,197	**$ 2,684,487**	$ 2,513,218
Reconciliation of NOI of unconsolidated entities:				
Net Income	**$ 158,299**	$ 111,085	**$ 474,176**	$ 300,836
Interest expense	**151,579**	148,891	**453,573**	451,581
(Gain) loss from operations of discontinued joint venture interests	**(7)**	1,978	**339**	20,769
(Gain) loss on disposal of discontinued operations, net	**(6,580)**	4,904	**(24,936)**	4,904
Operating Income	**303,291**	266,858	**903,152**	778,090
Depreciation and amortization	**135,457**	125,828	**389,843**	375,280
NOI of unconsolidated entities	**$ 438,748**	$ 392,686	**$ 1,292,995**	$ 1,153,370
Total consolidated and unconsolidated NOI from continuing operations	**$ 1,365,386**	$ 1,267,883	**$ 3,977,482**	$ 3,666,588
Adjustments to NOI:				
NOI of discontinued unconsolidated properties	**7**	5,711	**(339)**	63,801
Total NOI of our portfolio	**$ 1,365,393**	$ 1,273,594	**$ 3,977,143**	$ 3,730,389
Change in NOI from prior period	**7.2%**	2.6%	**6.6%**	2.0%
Add: Our share of NOI from Klépierre	**66,939**	49,784	**208,820**	114,340
Less: Joint venture partners' share of NOI	**237,045**	221,930	**702,241**	685,114
Our share of NOI	**$ 1,195,287**	$ 1,101,448	**$ 3,483,722**	$ 3,159,615
Increase in our share of NOI from prior period	**8.5%**	16.7%	**10.3%**	14.1%
Total NOI of our portfolio	**$ 1,365,393**	$ 1,273,594	**$ 3,977,143**	$ 3,730,389
NOI from non comparable properties(1)	**332,750**	289,060	**937,025**	840,578
Total NOI of comparable properties(2)	**$ 1,032,643**	$ 984,534	**$ 3,040,118**	$ 2,889,811
Increase in NOI of U.S. Malls and Premium Outlets that are comparable properties	**4.9%**		**5.2%**	

(1)

NOI from non comparable properties includes the Mills, community/lifestyle centers, international properties, other retail properties, The Mills Limited Partnership properties, any of our non-retail holdings and results of our corporate and management company operations, NOI of U.S. Malls and Premium Outlets not owned and operated in both periods under comparison and excluded income noted in footnote 2 below.

(2)

Comparable properties are U.S. malls and Premium Outlets that were owned in both of the periods under comparison. Excludes lease termination income, interest income, land sale gains and the impact of significant redevelopment activities.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Sensitivity Analysis. We disclosed a quantitative and qualitative analysis regarding market risk in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2012 Annual Report on Form 10-K. There have been no material changes in the assumptions used or results obtained regarding market risk since December 31, 2012.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting. There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II Other Information

Item 1. Legal Proceedings

We are involved from time-to-time in various legal proceedings that arise in the ordinary course of our business, including, but not limited to commercial disputes, environmental matters, and litigation in connection with transactions including acquisitions and divestitures. We believe that such litigation, claims, and administrative proceedings will not have a material adverse impact on our financial position or our results of operations. We record a liability when a loss is considered probable, and the amount can be reasonably estimated.

Item 1A. Risk Factors

Through the period covered by this report, there were no material changes to the Risk Factors disclosed under Item 1A: Risk Factors in Part I of our 2012 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended September 30, 2013, we issued 3,192 shares of common stock to a limited partner of the Operating Partnership in exchange for an equal number of units. The issuance of the shares of common stock was made pursuant to the partnership agreement of the Operating Partnership and was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

There were no reportable purchases of equity securities during the quarter ended September 30, 2013.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter covered by this report, the Audit Committee of Simon Property Group, Inc.'s Board of Directors approved certain audit, audit-related, tax compliance and tax consulting services to be provided by Ernst & Young LLP, our independent registered public accounting firm. This disclosure is made pursuant to Section 10A(i)(2) of the Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002.

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Item 6. Exhibits

Exhibit Number	*Exhibit Descriptions*
31.1	Certification by the Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIMON PROPERTY GROUP, INC.

/s/ STEPHEN E. STERRETT

Stephen E. Sterrett
Senior Executive Vice President and
Chief Financial Officer

Date: November 6, 2013